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PAGE 01 STATE 203723 TOSEC 100202

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C O N F I D E N T I A L STATE 203723 TOSEC 100202

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E.O. 11652:
TAGS: PFOR, ENG, UNGA
SUBJECT: SECRETARY'S UNGA SPEECH: DRAFT 8 - ACCELERATED
GROWTH SECTION (SECTION 3 OF 7)

FOR S/S - PASS TO LORD FROM S/P-LEWIS AND EB-ENDERS

FOLLOWING IS REVISED DRAFT OF GROWTH SECTION. IT REFLECTS
CHANGES IN CAPITAL MARKETS PROPOSALS IN LIGHT OF TREASURY
PROBLEM (SEE SEPTTEL ON BUREACRATICS),PLUS GREATLY BEEFED-UP
TECHNOLOGY SECTION. TNE SECTION NOW COVERS TAX TREATIES
AND TRANSFER PRICING -- AND IS SLIGHTLY RECAST FOR TONE.

TEXT FOLLOWS:

1. ACCELERATING ECONOMIC GROWTH.

CONFIDENTIAL

PAGE 02 STATE 203723 TOSEC 100202

2. IT IS NOT ENOUGH TO ENSURE THE MINIMAL ECONOMIC
SECURITY OF THE DEVELOPING COUNTRIES. THE ROAD OF DEVELOP-
MENT IS THE ROAD OF ACCELERATING GROWTH, GREATER PRODUCTIV-

ITY, HIGHER LIVING STANDARDS, AND SOCIAL TRANSFORMATION.

3. THIS PROCESS REQUIRES THE INFUSION OF CAPITAL, TECH-

NOLOGY, AND MANAGERIAL SKILLS ON A MASSIVE SCALE. LOCAL

EFFORT WILL HAVE TO PROVIDE MOST OF THE RESOURCES, THE

ORGANIZATION, AND THE DEDICATION, BUT INTERNATIONAL SUP-

PORT IS INDISPENSIBLE. TO ACHIEVE EVEN A MODERATE ACCEL-

ERATION OF RECENT GROWTH RATES, DEVELOPING COUNTRIES WILL

NEED SOME \$40 BILLION A YEAR IN OUTSIDE CAPITAL BY 1980.

AND THE NEED FOR TECHNOLOGICAL INNOVATION, THOUGH

IMPOSSIBLE TO QUANTIFY, IS SIMILARLY GREAT.

4. HOW CAN THESE NEEDS FOR CAPITAL, TECHNOLOGY--AND THE

SKILLS TO APPLY THEM--BE MET?

5. GOVERNMENTAL CONCESSIONAL ASSISTANCE FROM THE RICHER

COUNTRIES IS ONE IMPORTANT SOURCE. THE INDUSTRIAL COUN-

TRIES TOGETHER NOW PROVIDE SOME \$7.2 BILLION IN BILATERAL

AID. THIS MUST CONTINUE, BUT REALISTICALLY WE CANNOT

EXPECT IT TO GROW SIGNIFICANTLY OVER THE COMING YEARS.

THE LIMITED CONCESSIONAL FUNDS AVAILABLE WILL BE LARGELY
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PAGE 03 STATE 203723 TOSEC 100202

ABSORBED BY THE NEEDS OF THE POOREST COUNTRIES. SUPPORT

FOR BILATERAL AID HAS ERODED IN BOTH INDUSTRIAL AND

DEVELOPING COUNTRIES--IN INDUSTRIAL COUNTRIES PARTLY

BECAUSE OF THE RECENT ECONOMIC SLOWDOWN PARTLY INDUCED BY

THE ENERGY PROBLEM. CLEARLY, THERE CANNOT BE ACCELERATED

GROWTH IN THE DEVELOPING NATIONS EXCEPT THROUGH RESOURCE

TRANSFERS ON COMMERCIAL TERMS AND IN A CLIMATE OF WORLD-

WIDE ECONOMIC EXPANSION.

6. A PARTICULAR NEW BURDEN ON GROWTH IN DEVELOPING COUNTRIES IS THE RISE IN THE COST OF FUEL, WHICH IS THE MOST CRITICAL FACTOR IN INDUSTRIAL AND AGRICULTURAL PRODUCTIVITY. THIS HAS MEANT HIGH COSTS IN TRANSPORTATION, ELECTRIC POWER, AND ENERGY-INTENSIVE MANUFACTURED GOODS. AND THE MOST SEVERE IMPACT IS ON AGRICULTURE, WHERE IT MEANS MUCH HIGHER FERTILIZER PRICES AND SLOWER MECHANIZATION. THEREFORE, THERE MUST BE RESTRAINT AND A FURTHER MORATORIUM ON NEW OIL PRICE RISES. A LARGE PORTION OF NEEDED AID TO DEVELOPING COUNTRIES SHOULD COME FROM THE OIL EXPORTERS THEMSELVES. LAST YEAR THEY PROVIDED \$3 BILLION IN BILATERAL ASSISTANCE; THE FIGURE MAY RISE THIS YEAR.

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PAGE 04 STATE 203723 TOSEC 100202

7. NEVERTHELESS, EVEN TOGETHER, THE INDUSTRIAL NATIONS AND THE OIL EXPORTERS CANNOT SUPPLY ALL THE NEW FUNDS THAT ARE NEEDED TO ACCELERATE GROWTH THROUGHOUT THE DEVELOPING WORLD. IT FOLLOWS INESCAPABLY THAT THE REMAINING NEEDS FOR CAPITAL AND TECHNOLOGY CAN ONLY BE MET, DIRECTLY OR INDIRECTLY, THROUGH PRIVATE COMMERCIAL CHANNELS, AND THIS INVESTMENT WILL TAKE PLACE ONLY IF IT IS IN THE INTERESTS OF BOTH DEVELOPING AND DEVELOPED COUNTRIES.

8. THE UNITED STATES URGES, THEREFORE, THAT THE WORLD COMMUNITY TAKE NEW STEPS TO INCREASE THE AVAILABILITY AND QUALITY OF NEEDED CAPITAL FOR DEVELOPMENT ON A LARGE SCALE:
-- FIRST, WE MUST IMPROVE DEVELOPING COUNTRIES' ACCESS TO

INTERNATIONAL CAPITAL INSTITUTIONS AND MARKETS.

-- SECONDLY, WE MUST ENABLE THEM TO OBTAIN NEW TECHNOLOGY

AND ADAPT IT TO THEIR NEEDS, TO BUILD A BASE FOR INDUSTRI-

ALIZATION AND TO IMPROVE AGRICULTURAL PRODUCTIVITY.

-- THIRDLY, WE MUST NOW ACHIEVE AN INTERNATIONAL CONSENSUS

ON THE PRINCIPLES BY WHICH MULTINATIONAL ENTERPRISES CAN

OPERATE PRODUCTIVELY, IN THE INTEREST OF THE HOST COUNTRY

AND OF THE GLOBAL ECONOMY.

9. FIRST, ACCESS TO CAPITAL MARKETS.

CONFIDENTIAL

PAGE 05 STATE 203723 TOSEC 100202

10. PRIVATE CAPITAL MARKETS CAN AND DO PROVIDE MASSIVE

SUMS TO DEVELOPING COUNTRIES, DIRECTLY AND THROUGH INTER-

MEDIARIES. THE WORLD BANK AND THE REGIONAL DEVELOP-

MENT BANKS BORROW EXTENSIVELY IN PRIVATE CAPITAL MARKETS

TO LEND TO DEVELOPING NATIONS. THE UNITED STATES SUP-

PORTS THE CONTINUED EXPANSION OF THE WORLD BANK AND

REGIONAL DEVELOPMENT BANK PROGRAMS. WE ARE HEARTENED THAT

TEN EUROPEAN COUNTRIES PLUS JAPAN AND ISRAEL WILL JOIN US

SHORTLY IN A \$6 BILLION EXPANSION OF THE RESOURCES OF THE

INTER-AMERICAN DEVELOPMENT BANK.

WE WILL CONTINUE TO SUPPORT THE ASIAN DEVELOPMENT BANK,

AND WE ARE URGING CONGRESSIONAL AUTHORIZATION TO JOIN THE

AFRICAN DEVELOPMENT FUND.

11. DEVELOPING COUNTRIES HAVE ALSO BEEN SUCCESSFUL IN

RAISING DIRECTLY CLOSE TO \$10 BILLION ANNUALLY IN INTER-

NATIONAL MARKETS. THOSE THAT ARE MOST SUCCESSFUL IN THEIR

DEVELOPMENT EFFORTS AND THAT NO LONGER REQUIRE CONCESSION-

AL AID, ESPECIALLY IN ASIA AND LATIN AMERICA, RELY HEAVILY
ON THIS SOURCE OF FUNDS. BUT THEIR FUTURE ACCESS IS NOT
ASSURED. THEY TEND TO BE RESIDUAL BORROWERS, LAST IN AND
CONFIDENTIAL

PAGE 06 STATE 203723 TOSEC 100202

FIRST OUT; THEY SUFFER MOST FROM SHORTAGES OF LOAN FUNDS;
THE CONDITIONS OF LENDING OFTEN MAKE IT LEAST AVAILABLE
WHEN IT IS MOST NEEDED.

12. THE BASIC DIMENSIONS OF CREDITWORTHINESS--THE ABILITY
OF A DEVELOPING COUNTRY TO USE CAPITAL PRODUCTIVELY--CAN-
NOT BE DETERMINED FROM OUTSIDE. BUT WE CAN AND MUST MAKE
SURE THAT THE CAPITAL MARKETS RESPOND READILY TO THE OPPOR-
TUNITIES OFFERED FOR PRODUCTIVE INVESTMENT. WE NEED TO
ENGAGE NOW IN A VIGOROUS SEARCH FOR NEW INSTITUTIONAL
MECHANISMS THAT WILL ENHANCE THE OPPORTUNITIES OF THE
DEVELOPING COUNTRIES IN THE COMPETITION FOR INTERNATIONAL
CAPITAL. WE NEED TO BRING TOGETHER IN NEW WAYS POTENTIAL
SOURCES OF CAPITAL AND SOUND INVESTMENT PROJECTS IN
DEVELOPING COUNTRIES. NEW CHANNELS ARE REQUIRED TO
PROVIDE FUNDS FOR A WIDER VARIETY OF INSTITUTIONS IN
DEVELOPING COUNTRIES, PARTICULARLY THE DEVELOPMENT BANKS,
FINANCE CORPORATIONS AND PRIVATE ENTERPRISE. THE UNITED
STATES PROPOSES THAT WE BEGIN NOW A NUMBERS OF VENTURES
THAT OFFER PROMISE OF IMPROVING ACCESS BY DEVELOPING
" - - -
COUNTRIES TO PRIVATE CAPITAL.

13. FIRST, WE WILL SUPPORT A MAJOR EXPANSION OF THE
CONFIDENTIAL

PAGE 07 STATE 203723 TOSEC 100202

RESOURCES OF THE WORLD BANK'S INTERNATIONAL FINANCE

CORPORATION -- IN EFFECT, THE INVESTMENT BANKER WITH THE

BROADEST EXPERIENCE IN SUPPORTING PRIVATE ENTERPRISE IN

DEVELOPING COUNTRIES.

14. THE UNITED STATES ALSO PROPOSES THE CREATION OF

AN INTERNATIONAL INVESTMENT TRUST, WITH MANAGEMENT, AND IF

NECESSARY SEED CAPITAL PROVIDED BY THE INTERNATIONAL

FINANCE CORPORATION.

-- THE TRUST WOULD INVEST IN THE DEBT AND EQUITY OF THE

NATIONAL AND INTERNATIONAL DEVELOPMENT BANKS AND THE PRI-

VATE, PUBLIC AND MIXED ENTERPRISES OF DEVELOPING COUNTRIES.

-- IT WOULD DRAW ITS CAPITAL FROM THE IFC, FROM MEMBER

COUNTRIES, PARTICULARLY OIL EXPORTING COUNTRIES, AND FROM

PRIVATE INVESTORS.

-- THERE WOULD BE NO SET LIMIT ON ITS CAPITAL WHICH COULD,

OVER TIME, GROW VERY SUBSTANTIALY -- IF A DIVERSIFIED,

WELL-MANAGED PORTFOLIO OF INVESTMENTS IN DEVELOPING

COUNTRIES PROVES AS PROFITABLE AS WE ANTICIPATE.

15. THIS INSTITUTION WOULD BE A NEW AND POWERFUL LINK

BETWEEN THE DEVELOPING COUNTRIES AND THE CAPITAL MARKETS

CONFIDENTIAL

PAGE 08 STATE 203723 TOSEC 100202

ON WHICH THEIR GROWTH DEPENDS. BUT OTHERS ARE REQUIRED

AS WELL. (COMMENT: THE INVESTMENT TRUST PROPOSAL HAS BEEN

CHANGED, TO PROVIDE FOR INITIAL CAPITAL FINANCING

THROUGH IFC, WITHOUT A DIRECT U.S. CONTRIBUTION - WHICH

TREASURY AND LYNN WON'T BUY. WE WOULD BE SUPPORTING,
HOWEVER, THROUGH OUR CONTRIBUTION TO SIGNIFICANTLY
EXPANDED IFC RESOURCES AND WE THINK THE PROPOSALS AS
THEY NOW APPEAR IN THE DRAFT PROVIDE A MINIMUM CREDIBLE
PACKAGE. SEE SEPTTEL ON BUREAUCRATICS.)

16. WITH FULL U.S. PARTICIPATION, THE DEVELOPMENT
COMMITTEE OF THE WORLD BANK AND THE IMF IS EXPLORING
VARIOUS WAYS TO ENHANCE THE DEVELOPING COUNTRIES'
OPPORTUNITIES TO COMPETE MORE EFFECTIVELY DIRECTLY IN THE
PRIVATE CAPITAL MARKETS. AND IT IS HEARTENING TO SEE
THAT THE LATIN AMERICAN COUNTRIES HAVE ALSO BEEN EXPLORING
A PROPOSAL FOR A REGIONAL FINANCIAL SAFETY NET TO SUPPORT
THEIR ACCESS TO PRIVATE CAPITAL MARKETS. BOTH THESE
INITIATIVES OFFER REAL PROMISE. FINALLY, WE BELIEVE
THAT ALL INDUSTRIAL COUNTRIES SHOULD SYSTEMATICALLY REVIEW
THE CONDITIONS FOR DEVELOPING COUNTRY ACCESS TO THEIR
NATIONAL MARKETS -- TO ASSURE THEY OFFER AS OPEN
CONFIDENTIAL

PAGE 09 STATE 203723 TOSEC 100202

OPPORTUNITIES AS POSSIBLE.

17. A SECOND KEY TO ACCELERATING LONG-TERM GROWTH IS
TECHNOLOGY. HERE ALSO NEW LINKS BETWEEN INDUSTRIAL AND
DEVELOPING COUNTRIES ARE REQUIRED, AND NEW PRIORITIES
MUST BE SET, FOR TECHNOLOGY ITSELF MUST GROW TO MEET
MULTIPLYING NEEDS. YET THE INSTRUMENTS FOR ITS TRANSFER
AND FOR ITS LOCAL DEVELOPMENT ARE LIMITED AND ARE SELDOM
AT THE SOLE COMMAND OF NATIONAL GOVERNMENTS. NOR CAN
TECHNOLOGIES ORIGINATED BY INDUSTRIAL COUNTRIES BE

GRAFTED -- WITH UNVARYING SUCCESS -- ONTO THE ECONOMIC

AND SOCIAL STRUCTURE OF EVERY DEVELOPING COUNTRY.

18. THE TECHNICAL STRENGTH OF THE MAJORITY OF INDUSTRIAL

COUNTRIES LIES IN THEIR PLURALISTIC INSTITUTIONS --

PRIVATE AS WELL AS GOVERNMENTAL. NEW INSTITUTIONS AND

NEW MEANS ARE REQUIRED TO TRANSFER, ADAPT AND GENERATE

TECHNOLOGY IN THE SERVICE OF DEVELOPMENT.

19. OUR OBJECTIVE IS TO BRING TOGETHER THE ABLEST

INDIVIDUALS FROM THE INDUSTRIAL AND DEVELOPING WORLDS IN

A BROAD PROGRAM TO SPUR TECHNOLOGICAL GROWTH IN AREAS

REQUIRING PRIORITY ATTENTION: ENERGY, FOOD, OTHER

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PAGE 10 STATE 203723 TOSEC 100202

PRODUCTS OF THE LAND, AND THE PROCESS OF INDUSTRIALIZA-

TION ITSELF.

20. FIRST, FOR BOTH AGRICULTURAL AND INDUSTRIAL DEVELOP-

MENT, ENERGY IS A CENTRAL INGREDIENT.

;FOR THE DEVELOPING COUNTRIES, THE ENORMOUS RISE

IN THE COST OF OIL IMPORTS IN THE LAST TWO YEARS HAS

MORE THAN WIPED OUT THE TOTAL OF THE FOREIGN AID THEY

HAVE RECEIVED. IT HAS CAUSED A VAST DETERIORATION IN

THEIR BALANCE OF PAYMENTS AND HAS MORTGAGED THEIR FUTURE.

21. THERE IS NO EASY SHORT-TERM SOLUTION. BUT IF THE

PROBLEM IS EVER TO BE RESOLVED, EFFORTS TO EXPLOIT AND

DIVERSIFY SOURCES OF ENERGY MUST BE INTENSIFIED NOW.

BUT MANY DEVELOPING COUNTRIES CONTINUE TO FALL STILL

FURTHER BEHIND IN CHARTING THEIR COURSE TOWARD GREATER

DIVERSIFICATION OF ENERGY SOURCES.

22. THERE ARE TECHNOLOGICAL MEANS TO DISCOVER AND
UTILIZE LESS ACCESSIBLE OR LOW-GRADE RESOURCES WHOSE
POTENTIAL MUST NOW BE REALIZED. TECHNOLOGY EXISTS TO TAP
A VARIETY OF ENERGY SOURCES TO PRODUCE SOLAR, HYDRO,
AND GEOTHERMAL POWER AS WELL AS POWER FROM CONVENTIONAL
FUELS AND NUCLEAR FUELS. BUT TECHNIQUES CAN BE IMPROVED,
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PAGE 11 STATE 203723 TOSEC 100202

EXPANDED, AND APPLIED MORE SUCCESSFULLY WITH DEVELOPING
COUNTRIES' NEEDS IN MIND. WE NEED ONLY APPROACH THIS
TASK IN A SYSTEMATIC, PURPOSEFUL AND COORDINATED FASHION.

23. WE ARE PREPARED TO JOIN WITH OTHER INDUSTRIAL
COUNTRIES AND WITH DEVELOPING COUNTRIES IN A COMBINED
EFFORT. WE BELIEVE THIS TOPIC SHOULD BE PURSUED AMONG
THE DEVELOPED COUNTRIES AND SHOULD BE HIGH ON THE AGENDA
FOR THE DIALOGUE BETWEEN THE DEVELOPED AND DEVELOPING
COUNTRIES. TO ADVANCE THIS DIALOGUE WE PROPOSE CON-
SIDERATION OF A BROAD-BASED INTERNATIONAL ENERGY INSTI-
TUTE.

24. AN ENERGY INSTITUTE COULD PROMOTE BETTER UNDERSTANDING
OF THE DIFFERING NEEDS AND DIFFERING POTENTIAL OF SPECIFIC
COUNTRIES AND REGIONS. IT CAN SYSTEMATICALLY EVALUATE
AND PLAN ENERGY PROGRAMS. IT CAN ASSIST IN THE APPLICATION
OF ADVANCED TECHNIQUES AND SUITABLE TECHNOLOGIES. THE
EFFORTS OF SUCH AN INSTITUTION CANNOT REST ON THE
ASSUMPTION THAT A SINGLE SOLUTION -- WHETHER NON-NUCLEAR

OR NUCLEAR -- IS INVARIABLY THE BEST SOLUTION REGARDLESS
OF THE LOCAL SITUATION. AND SUCH EFFORTS SHOULD NOT BE
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PAGE 12 STATE 203723 TOSEC 100202

CONFINED TO APPROACHES WHICH CAN BE AFFORDED ONLY BY THE
WEALTHIEST OF THE DEVELOPING COUNTRIES, LEAVING UNATTENDED
THE ENERGY NEEDS OF THE POOR.

25. AN INTERNATIONAL ENERGY INSTITUTE COULD, IN THE VIEW
OF THE UNITED STATES, ADD SIGNIFICANTLY TO THE TOOLS
AVAILABLE FOR TECHNOLOGICAL GROWTH. IT COULD ALSO SPAWN
A NEW NETWORK OF REGIONAL AND FUNCTIONAL CENTERS
DESIGNED TO ADDRESS THE DIVERSITY OF PROBLEMS.

26. FOOD PRODUCTION AND IMPROVEMENT OF NUTRITION ALSO
REQUIRE PRIORITY ATTENTION. DURING THE PAST DECADE,
A NUMBER OF REGIONAL AGRICULTURAL RESEARCH CENTERS HAVE
BEEN ESTABLISHED. RECENTLY, THE CONSULTATIVE GROUP FOR
INTERNATIONAL AGRICULTURAL RESEARCH WAS FORMED TO COORDIN-
ATE THESE REGIONAL EFFORTS. WE NOW PROPOSE AN EXPANDED
TRAINING AND RESEARCH PROGRAM FOR THESE INSTITUTIONS,
IN COLLABORATION WITH NATIONAL RESEARCH ORGANIZATIONS,
TO BETTER ADAPT AGRICULTURAL TECHNIQUES TO LOCAL CLIMATIC
AND SOIL CONDITIONS AND TO LOCAL INSTITUTIONS AND
RESOURCES. WITH MORE SKILLED MANPOWER AND MONEY THESE
CENTERS CAN GRADUALLY BE BUILT INTO A COMPLETE INTER-
NATIONAL NETWORK FOR BASIC AND APPLIED RESEARCH, DEVOTED
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PAGE 13 STATE 203723 TOSEC 100202

TO A WORLDWIDE REVOLUTION IN FARM TECHNOLOGY.

27. THE UNITED STATES WILL ALSO SUPPORT A MAJOR NEW PROGRAM TO ENABLE OUR UNIVERSITIES TO EXPAND THEIR TECHNICAL ASSISTANCE IN THE AGRICULTURAL FIELD. LEGISLATION IS NOW PENDING IN OUR CONGRESS TO THIS END.

28. FOOD IS NOT THE ONLY PRODUCT OF THE LAND. NON-FOOD AGRICULTURAL AND FORESTRY PRODUCTS COMPRISE AN AREA OF MAJOR IMPORTANCE TO A NUMBER OF DEVELOPING COUNTRIES. INDEED, THE EXPORT EARNINGS OF MANY OF THE POOREST COUNTRIES -- AND THE LIVELIHOOD OF MANY MILLIONS OF THEIR PEOPLE -- DEPEND ON SUCH PRODUCTS AS TIMBER, JUTE, COTTON, AND NATURAL RUBBER, SOME OF WHICH HAVE ENCOUNTERED SERIOUS MARKET PROBLEMS IN THE FACE OF SYNTHETICS. THESE COUNTRIES URGENTLY NEED TO IMPROVE THE PRODUCTIVITY AND MARKETABILITY OF THESE PRODUCTS AND TO DIVERSIFY THEIR ECONOMIES. THE UNITED STATES THEREFORE PROPOSES CREATION OF A CONSULTATIVE GROUP ON SUCH AGRICULTURAL PRODUCTS TO COORDINATE ASSISTANCE IN THIS AREA. ITS TASK WILL BE TO ATTRACT MAJOR INPUTS OF MANPOWER AND CAPITAL TO BASIC AND APPLIED RESEARCH, MUCH OF WHICH

CONFIDENTIAL

PAGE 14 STATE 203723 TOSEC 100202

COULD BE CARRIED OUT ON A LOCAL BASIS. THE UNITED STATES URGES THAT THIS BE AN IMPORTANT TASK FOR THE NEW INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT.

29. WHILE EACH OF THESE AREAS SHOULD RECEIVE PRIORITY ATTENTION, WE RECOGNIZE THAT THE INDUSTRIAL ASPIRATIONS OF MANY DEVELOPING COUNTRIES WILL BE ATTAINABLE ONLY

THROUGH THE DEVELOPMENT OR ADAPTATION OF MANUFACTURING
TECHNOLOGIES. WE KNOW THAT SUCCESS DERIVES NOT FROM
TECHNOLOGY ALONE BUT ALSO FROM THE SKILL WITH WHICH IT
IS DEPLOYED AND MANAGED. WE KNOW THAT TECHNOLOGY CANNOT
BE DIVORCED FROM THE ECONOMIC AND SOCIAL CONTEXT IN
WHICH IT IS TO BE PUT TO WORK. AND WE KNOW THAT THIS
CONTEXT VARIES WIDELY.

30. THE UNITED STATES VIEWS SYMPATHETICALLY THE CONCEPT
OF AN INTERNATIONAL INDUSTRIALIZATION INSTITUTE. SUCH
AN INSTITUTE COULD, AMONG OTHER FUNCTIONS, SPONSOR AND
CONDUCT RESEARCH ON INDUSTRIAL TECHNOLOGY IN COLLABORA-
TION WITH GOVERNMENTS, INDUSTRIES, AND RESEARCH
FACILITIES OF DEVELOPING COUNTRIES. WE ARE PREPARED TO
JOIN IN SUCH A COLLABORATIVE EFFORT.

CONFIDENTIAL

PAGE 15 STATE 203723 TOSEC 100202

31. WE ARE ALSO PREPARED TO JOIN IN CONSIDERING THE
ESTABLISHMENT OF AN INTERNATIONAL CENTER FOR THE EXCHANGE
OF TECHNOLOGICAL INFORMATION -- A CLEARING HOUSE TO
HELP INDIVIDUALS AND INSTITUTIONS TO SHARE THEIR
KNOWLEDGE OF ONGOING RESEARCH AND NEW FINDINGS RELEVANT
TO PARTICULAR DEVELOPING-COUNTRY NEEDS. WE WILL EXPAND
OUR BILATERAL PROGRAMS IN SUPPORT OF INDUSTRIAL
TECHNOLOGY APPROPRIATE TO DEVELOPING COUNTRY REQUIREMENTS.
AND WE SHALL CONTINUE TO PARTICIPATE ACTIVELY IN THE
PREPARATORY EFFORTS LOOKING TOWARD A UNITED NATIONS
CONFERENCE ON SCIENCE AND TECHNOLOGY FOR DEVELOPMENT

LATER IN THIS DECADE.

32. THESE PRIORITY EFFORTS WHICH I HAVE OUTLINED CAN
PROVIDE A NEW AND VALUABLE STIMULUS TO COOPERATION
BETWEEN INDUSTRIAL AND DEVELOPING COUNTRIES IN ADVANCING
TOWARD THE GOAL OF TECHNOLOGICAL GROWTH CONSISTENT WITH
LOCAL NEEDS AND INTERNATIONAL CAPABILITIES.

33. IF WE ARE TO POUR IN NEW FUNDS AND NEW TECHNOLOGY,
AND IF PRIVATE SOURCES OF CAPITAL AND SKILLS ARE
ESSENTIAL TO SUPPLEMENT OFFICIAL ASSISTANCE, THEN IT
IS TIME TO ESTABLISH A STABLE AND ACCEPTED ENVIRONMENT
CONFIDENTIAL

PAGE 16 STATE 203723 TOSEC 100202

FOR PRIVATE TRANSNATIONAL ENTERPRISES.

34. IN THE GLOBAL EFFORT TO ACCELERATE THE ECONOMIC
GROWTH OF DEVELOPING COUNTRIES, MANAGERIAL SKILLS ARE
AN ESSENTIAL COMPLEMENT TO TECHNOLOGY. IN PROVIDING THE
CAPABLE MANAGEMENT NEEDED FOR THE SUCCESSFUL APPLICATION
OF TECHNOLOGY IN ENERGY, AGRICULTURE, AND INDUSTRY, THE
ROLE OF TRANSNATIONAL ENTERPRISES HAS BEEN UNIQUE AND
IRREPLACEABLE. THEY HAVE PROVEN THEMSELVES A POWERFUL
INSTRUMENT OF MODERNIZATION BOTH IN THE INDUSTRIAL
NATIONS -- WHERE THEY CONDUCT MOST OF THEIR OPERATIONS --
AND IN THE DEVELOPING COUNTRIES, WHERE THERE IS OFTEN NO
SUBSTITUTE FOR THEIR ABILITY TO MARSHAL CAPITAL, RESEARCH,
NEW TECHNOLOGY, MANAGEMENT SKILLS, AND INITIATIVE. THUS
THE CONTROVERSY OVER THEIR ROLE AND CONDUCT IS ITSELF AN
OBSTACLE TO ECONOMIC DEVELOPMENT. IT IS TIME TO FACE UP

TO THE PROBLEMS, REAL AND PERCEIVED, THAT HAVE ARISEN.

35. WILL WE SOLVE THESE PROBLEMS BY RHETORIC, OR BY RE-

SPONDING TO REALITY? WILL WE SOLVE THEM BY IDEOLOGY AND

DOCTRINE, OR BY RECOGNIZING THAT DENYING OR DESTROYING ONE

OF THE WORLD'S PRINCIPAL SOURCES OF DEVELOPMENT CAPITAL IS

ABSURDLY SELF-DEFEATING? IF THE WORLD COMMUNITY IS UNABLE
CONFIDENTIAL

PAGE 17 STATE 203723 TOSEC 100202

TO FIND A CONSENSUS ON THE PROPER CONDITIONS FOR CORPORATE

ENTERPRISE, IT WILL NOT BE THE INDUSTRIALIZED COUNTRIES

THAT SUFFER MOST. LET US MAKE THIS ISSUE A TEST OF OUR

CAPACITY TO ACCOMMODATE MUTUAL CONCERNS IN PRACTICAL AGREE-

MENT.

36. FOR OUR PART, THE UNITED STATES IS PREPARED TO MEET THE

CONCERNS OF GOVERNMENTS IN WHOSE TERRITORIES TRANSNATIONAL

ENTERPRISES OPERATE. JUST AS THOSE GOVERNMENTS THAT WISH

THE BENEFITS OF THESE ENTERPRISES MUST FOSTER THE CONDI-

TIONS THAT ATTRACT AND MAINTAIN THEM, WE AFFIRM THAT ENTER-

PRISES MUST ACT IN FULL ACCORDANCE WITH SOVERIGN RIGHTS,

AND TAKE FULL ACCOUNT OF THE PUBLIC POLICY, OF HOST GOVERN-

MENTS. IT IS OBVIOUS THAT COUNTRIES ARE ENTITLED TO ENACT

REGULATIONS GOVERNING THE OPERATIONS OF TRANSNATIONAL

ENTERPRISES WITHIN THEIR BORDERS.

37. SURELY WE ALL CAN AGREE THAT CERTAIN PATTERNS OF BEHAV-

IOR ARE NOT TOLERABLE. WHATEVER THE REASONS--LOCAL CUSTOM

OR INTERNATIONAL PRACTICE--VENALITY AND CORRUPTION CANNOT BE

CONDONED BY HOST COUNTRIES, BY HOME COUNTRIES, OR BY ENTER-

PRISES. BUT WE CANNOT SIMPLY REACT DISJOINTEDLY AND IMPUL-

CONFIDENTIAL

PAGE 18 STATE 203723 TOSEC 100202

SIVELY TO SPECIFIC ABUSES BY PUBLIC OR PRIVATE PARTIES.

38. THE UNITED STATES BELIEVES THAT THE TIME HAS COME FOR

THE INTERNATIONAL COMMUNITY AS A WHOLE TO ARTICULATE COM-

PREHENSIVE STANDARDS OF CONDUCT FOR BOTH ENTERPRISES AND

GOVERNMENTS. THE UNITED STATES WILL WORK WITHIN THE UN

COMMISSION ON TRANSNATIONAL CORPORATIONS AND OTHER INTER-

NATIONAL BODIES TO EXCHANGE IDEAS AND TO HELP DEVELOP A

BODY OF BALANCED PRINCIPLES TO GUIDE ENTERPRISES AND GOV-

ERNMENTS IN THEIR MUTUAL RELATIONS. THESE SHOULD APPLY TO

TRANSNATIONAL ENTERPRISES IN THEIR RELATIONS WITH GOVERN-

MENTS, AND TO GOVERNMENTS IN THEIR RELATIONS WITH TRANSNAT-

IONAL ENTERPRISES AND WITH OTHER GOVERNMENTS.

39. GUIDELINES MUST BE BASED ON OBJECTIVE CONDITIONS;

INTERNATIONAL LAW, AND THE PRINCIPLE OF COOPERATION --

OR THEY WILL NOT BE ACCEPTED. MOREOVER, A STATEMENT

OF PRINCIPLES WHICH FAILS TO REFLECT FAIRLY THE INTERESTS

OF ALL PARTIES--HOST COUNTRIES, HOME COUNTRIES, AND

ENTERPRISES--WOULD EXACERBATE RATHER THAN MODERATE THE

FRICTIONS WHICH HAVE DAMAGED THE ENVIRONMENT FOR INTER-

NATIONAL INVESTMENT. THE QUALITY OF MANAGED TECHNOLOGY

AVAILABLE TO DEVELOPING COUNTRIES WOULD DECLINE AND THEIR

CONFIDENTIAL

PAGE 19 STATE 203723 TOSEC 100202

ECONOMIC GROWTH FALTER. OUR PRINCIPLES OF CONDUCT MUST BE

BASED ON CONSENSUS SO THAT THEY ARE NOT DEBASED BY CONFRON-

TATION. THEY MUST BE GUIDED BY REALITY--NOT RHETORIC.

40. SPECIFICALLY, IN OUR VIEW,

-- AGREED GUIDELINES OUGHT TO REQUIRE

TRANSNATIONAL ENTERPRISES TO OBEY LOCAL LAW, TO REFRAIN

FROM INTERVENING IN THE DOMESTIC AFFAIRS OF THE HOST

STATE, TO TAKE ACCOUNT OF NATIONAL DEVELOPMENT PRIORITIES,

TO RESPECT LOCAL CULTURE, AND TO EMPLOY QUALIFIED LOCAL

PERSONNEL OR TO QUALIFY PERSONNEL THROUGH TRAINING.

VENALITY AND CORRUPTION CAN NO LONGER BE TOLERATED -- BY

THE HOST COUNTRY, BY THE ENTERPRISES THEMSELVES OR BY THE

COUNTRY IN WHICH THE ENTERPRISES ARE BASED.

-- HOST COUNTRIES IN TURN OUGHT TO TREAT MULTINATIONAL

COMPANIES EQUITABLY, WITHOUT DISCRIMINATION AMONG THEM,

AND IN ACCORDANCE WITH INTERNATIONAL LAW. HOST GOVERN-

MENTS AND COMPANIES EQUALLY SHOULD OBSERVE THE CONTRACTS

INTO WHICH THEY FREELY ENTER. HOST GOVERNMENTS SHOULD

CLEARLY SET FORTH THE DEVELOPMENT PRIORITIES AND

STANDARDS WHICH MULTINATIONAL COMPANIES ARE EXPECTED TO
CONFIDENTIAL

PAGE 20 STATE 203723 TOSEC 100202

MEET, AND MAINTAIN THEM WITH REASONABLE CONSISTENCY.

-- THE SAME PRINCIPLES OF CONDUCT SHOULD APPLY EQUALLY

TO DOMESTIC ENTERPRISES THAT ARE SIMILARLY SITUATED.

DISCRIMINATION IN FAVOR OF THE DOMESTIC COMPETITORS

OF MULTINATIONAL COMPANIES IS NEITHER EQUITABLE NOR

CONDUCTIVE TO FOREIGN INVESTMENT. NOR CAN PRINCIPLES

BE ADDRESSED ONLY TO PRIVATELY-OWNED MULTINATIONAL

ENTERPRISE. STATE-OWNED AND MIXED MULTINATIONAL

ENTERPRISES, WHICH ARE INCREASINGLY IMPORTANT IN THE
WORLD ECONOMY, SHOULD BE HELD TO THE SAME STANDARDS AS
THOSE THAT ARE PRIVATELY OWNED.

41. BUT A STATEMENT OF PRINCIPLES IS NOT THE ONLY, NOR
NECESSARILY THE BEST, MEANS OF RESOLVING MANY OF THE PROB-
LEMS AFFECTING TRANSNATIONAL ENTERPRISES. THE UNITED
STATES IS PREPARED FOR DISCUSSION OF OTHER PROPOSALS,
FOR EXAMPLE:

-- THE HARMONIZATION OF TAX TREATMENT OF FOREIGN INVEST-
MENT. IN THIS REGARD, INTERNATIONAL TAX TREATIES ARE USE-
FUL INSTRUMENTS, HELPFUL IN DEALING WITH SUCH CONTENTIOUS
SUBJECTS AS TRANSFER PRICING. WITHOUT COORDINATION, HOST
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PAGE 21 STATE 203723 TOSEC 100202

AND HOME COUNTRY POLICIES MAY SQUEEZE NEEDED ENTERPRISES
OUT OF OPERATION.

-- THE APPLICATION OF FACT-FINDING AND ARBITRATION PRO-
CEDURES THAT CAN BE EMPLOYED FOR SETTling INVESTMENT DIS-
PUTES WHICH THE PARTIES OTHERWISE FIND INTRACTABLE.

THE WORLD BANK'S INTERNATIONAL CENTER FOR THE SETTLEMENT
OF INVESTMENT DISPUTES AND OTHER THIRD-PARTY FACILITIES
SHOULD BE ACCEPTED AND EMPLOYED IN THIS EFFORT.

-- THE PROVISION OF A MULTILATERAL INSURANCE PROGRAM
FOR FOREIGN PRIVATE INVESTORS THAT INCLUDES FINANCIAL PAR-
TICIPATION, HOWEVER MODEST, BY DEVELOPING COUNTRIES, TO
REFLECT OUR MUTUAL STAKE IN ENCOURAGING FOREIGN INVESTMENT
IN THE SERVICE OF DEVELOPMENT.

-- FINALLY, INTERGOVERNMENTAL CONSULTATIONS SHOULD BE
FURTHER DEVELOPED BILATERALLY AND MULTILATERALLY, TO
IDENTIFY AND RESOLVE DISPUTES BEFORE THEY BECOME POLITICAL
IRRITANTS.

42. THE INTERNATIONAL EFFORT FOR ECONOMIC DEVELOPMENT CAN-
NOT AFFORD TO TREAT TRANSNATIONAL ENTERPRISES AS OBJECTS
OF ECONOMIC WARFARE. THE UNITED STATES BELIEVES THAT JUST
SOLUTIONS ARE ACHIEVABLE. THE CAPACITY OF NATIONS TO DEAL
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PAGE 22 STATE 203723 TOSEC 100202

WITH THESE COMPLEX PROBLEMS CONSTRUCTIVELY WILL BE AN
IMPORTANT TEST OF WHETHER THE SEARCH FOR COMMON SOLUTIONS
OR THE CLASH OF IDEOLOGIES WILL DOMINATE OUR ECONOMIC FU-
TURE. THE IMPLICATIONS FOR ECONOMIC DEVELOPMENT ARE PRO-
FOUND. INGERSOLL
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